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CHINA HIGH PRECISION AUTOMATION GROUP LIMITED

中國高精密自動化集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 591)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2013

HIGHLIGHTS

1. Turnover decreased by 40.5%;
2. Profit from operations decreased by 84.0%;
3. Included in the profit from operations were share option related expenses of approximately RMB9,419,000;
4. Net profit attributable to equity shareholders of the Company decreased by 86.0%;
5. Basic and diluted earnings per share were RMB3.50 cents and RMB3.50 cents respectively.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The board (the “Board”) of directors (the “Directors”) of China High Precision Automation Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 30 June 2013 (the “Year”), with the comparative figures for the preceding financial year ended 30 June 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2013

(Expressed in Renminbi Yuan)

	Note	Year ended 30 June	
		2013 RMB'000	2012 RMB'000
Turnover	3	516,549	868,075
Cost of sales		(412,478)	(475,307)
Gross profit		104,071	392,768
Other revenue	5	5,486	17,823
Other net income	5	5,938	1,080
Distribution costs		(8,058)	(7,328)
Administrative expenses		(62,105)	(94,001)
Fair value gain of investment properties		5,042	—
Share of loss of a jointly controlled entity		(786)	—
Profit from operations		49,588	310,342
Finance costs		—	—
Profit before taxation	6	49,588	310,342
Income tax	7	(13,311)	(51,149)
Profit for the year attributable to equity shareholders of the Company		36,277	259,193
Earnings per share (RMB cents)	9		
— basic		3.50	24.98
— diluted		3.50	24.98

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

(Expressed in Renminbi Yuan)

	Year ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to equity shareholders of the Company	36,277	259,193
Other comprehensive income for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	<u>(5,727)</u>	<u>(13,204)</u>
Total comprehensive income for the year attributable to equity shareholders of the Company	<u>30,550</u>	<u>245,989</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

(Expressed in Renminbi Yuan)

		As at 30 June	
		2013	2012
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		611,981	599,481
Investment properties		35,665	—
Construction in progress		—	—
Interests in leasehold land held for own use under operating leases		15,066	9,861
Deposits for the purchase of property, plant and equipment		878	53,373
Interests in a jointly controlled entity		2,286	3,072
Deferred tax assets		2,569	2,433
		<u>668,445</u>	<u>668,220</u>
Current assets			
Inventories		63,953	74,757
Trade and other receivables	10	265,789	438,036
Cash and cash equivalents		1,371,402	1,212,738
		<u>1,701,144</u>	<u>1,725,531</u>
Current liabilities			
Trade and other payables	11	89,044	131,490
Current taxation		282	6,572
Provision for warranties		2,259	574
		<u>91,585</u>	<u>138,636</u>
Net current assets		<u>1,609,559</u>	<u>1,586,895</u>
Total assets less current liabilities		<u>2,278,004</u>	<u>2,255,115</u>
Non-current liabilities			
Deferred tax liabilities		17,986	18,067
		<u>17,986</u>	<u>18,067</u>
NET ASSETS		<u>2,260,018</u>	<u>2,237,048</u>
CAPITAL AND RESERVES			
Share capital	12	91,360	91,360
Reserves		2,168,658	2,145,688
TOTAL EQUITY		<u>2,260,018</u>	<u>2,237,048</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	Surplus reserve	Share-based payment reserve	Other reserve	Exchange reserve	Retained profits	Total
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2011		91,360	1,005,530	130,341	53,204	2,982	(8,080)	737,539	2,012,876
Changes in equity for the year ended 30 June 2012:									
Profit for the year		—	—	—	—	—	—	259,193	259,193
Other comprehensive income		—	—	—	—	—	(13,204)	—	(13,204)
Total comprehensive income		—	—	—	—	—	(13,204)	259,193	245,989
Dividend declared and paid		—	(47,454)	—	—	—	—	—	(47,454)
Equity settled share-based payments		—	—	—	25,637	—	—	—	25,637
Appropriation to surplus reserve		—	—	29,354	—	—	—	(29,354)	—
Balance at 30 June 2012		<u>91,360</u>	<u>958,076</u>	<u>159,695</u>	<u>78,841</u>	<u>2,982</u>	<u>(21,284)</u>	<u>967,378</u>	<u>2,237,048</u>
Balance at 1 July 2012		91,360	958,076	159,695	78,841	2,982	(21,284)	967,378	2,237,048
Changes in equity for the year ended 30 June 2013:									
Profit for the year		—	—	—	—	—	—	36,277	36,277
Other comprehensive income		—	—	—	—	—	(5,727)	—	(5,727)
Total comprehensive income		—	—	—	—	—	(5,727)	36,277	30,550
Dividend declared and paid	8	—	(16,999)	—	—	—	—	—	(16,999)
Equity settled share-based payments		—	—	—	9,419	—	—	—	9,419
Appropriation to surplus reserve		—	—	16,683	—	—	—	(16,683)	—
Balance at 30 June 2013		<u>91,360</u>	<u>941,077</u>	<u>176,378</u>	<u>88,260</u>	<u>2,982</u>	<u>(27,011)</u>	<u>986,972</u>	<u>2,260,018</u>

NOTES

1 BASIS OF PREPARATION

The consolidated results set out in this announcement does not constitute the Group's financial statements for the year ended 30 June 2013 but is extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKAS 1 (Amendments)	<i>Presentation of Items of Other Comprehensive Income</i>
HKAS 12 (Amendments)	<i>Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

Amendments to HKAS 1 "*Presentation of Items of Other Comprehensive Income*"

The amendments to HKAS 1 "*Presentation of Items of Other Comprehensive Income*" introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 TURNOVER

The principal activities of the Group are the manufacture and sales of high precision industrial automation instrument and technology products as well as horological instruments.

Turnover represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes. The amount of each significant category of revenue recognised during the year is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Sales of automation instrument and technology products	428,624	757,116
Sales of horological instruments	87,925	110,959
	<u>516,549</u>	<u>868,075</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Customer A	<u>74,322</u>	<u>N/A</u>

The revenue from Customer A was attributable to the horological instruments segment and the corresponding revenue for the year ended 30 June 2012 did not contribute over 10% of the total revenue of the Group.

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Automation instrument and technology products: the manufacture and trading of intelligent display instruments, flow accumulate instruments, pressure transmitters and logging control instruments.

Horological instruments: the manufacture and trading of multi-functional all-plastic quartz watch movements.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, provision for warranties and current tax payable attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “adjusted profit from operations”. To arrive at reportable segment profit, the Group’s profit from operations is adjusted for items not specifically attributed to individual segments, such as head office or corporate administrative expenses. In addition to receiving segment information concerning adjusted profit from operations, management is provided with segment information concerning revenue and additions to non-current segment assets.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 30 June 2013 and 2012 is set out below.

	Automation instrument and technology products		Horological instruments		Total	
	2013	2012	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	<u>428,624</u>	<u>757,116</u>	<u>87,925</u>	<u>110,959</u>	<u>516,549</u>	<u>868,075</u>
Reportable segment profit (adjusted profit from operations)	<u>93,843</u>	<u>330,706</u>	<u>(6,932)</u>	<u>28,135</u>	<u>86,911</u>	<u>358,841</u>
	Automation instrument and technology products		Horological instruments		Total	
	At 30 June 2013	At 30 June 2012	At 30 June 2013	At 30 June 2012	At 30 June 2013	At 30 June 2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	<u>754,223</u>	<u>914,622</u>	<u>197,313</u>	<u>204,258</u>	<u>951,536</u>	<u>1,118,880</u>
Addition to non-current segment assets during the year	<u>47,122</u>	<u>149,885</u>	<u>14,220</u>	<u>25,748</u>	<u>61,342</u>	<u>175,633</u>
Reportable segment liabilities	<u>43,668</u>	<u>76,753</u>	<u>4,842</u>	<u>10,133</u>	<u>48,510</u>	<u>86,886</u>

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<i>Revenue</i>		
Reportable segment revenue	<u>516,549</u>	<u>868,075</u>
Consolidated turnover	<u><u>516,549</u></u>	<u><u>868,075</u></u>
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<i>Profit</i>		
Reportable segment profit	86,911	358,841
Unallocated head office and corporate expenses	<u>(37,323)</u>	<u>(48,499)</u>
Consolidated profit before taxation	<u><u>49,588</u></u>	<u><u>310,342</u></u>
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<i>Assets</i>		
Reportable segment assets	951,536	1,118,880
Unallocated head office and corporate assets	<u>1,418,053</u>	<u>1,274,871</u>
Consolidated total assets	<u><u>2,369,589</u></u>	<u><u>2,393,751</u></u>
	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<i>Liabilities</i>		
Reportable segment liabilities	48,510	86,886
Unallocated head office and corporate liabilities	<u>61,061</u>	<u>69,817</u>
Consolidated total liabilities	<u><u>109,571</u></u>	<u><u>156,703</u></u>

5 OTHER REVENUE AND OTHER NET INCOME

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<i>Other revenue</i>		
Bank interest income	5,039	17,488
Government grants (<i>Note (i)</i>)	<u>447</u>	<u>335</u>
	<u><u>5,486</u></u>	<u><u>17,823</u></u>

Note:

- (i) Government grants represent various forms of incentives and subsidies granted to the PRC subsidiary by the local authorities. The government grants were unconditional.

Other net income

Net foreign exchange income	<u><u>5,938</u></u>	<u><u>1,080</u></u>
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6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
(a) Staff costs:		
Contributions to defined contribution retirement plans	1,883	1,829
Equity-settled share-based payment expenses	9,419	25,637
Salaries, wages and other benefits	42,251	43,359
	<u>53,553</u>	<u>70,825</u>

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme (the “Defined Contribution Scheme”) organised by the PRC municipal government authority in the Fujian province whereby the Group is required to make a contribution at the rate of 18% of the eligible employees’ salaries to the Defined Contribution Scheme. The Group has accrued for the required pension fund contributions, which are remitted to the social security office in the Fujian province when the contributions become due. The social security office in the Fujian province is responsible for making the benefit payments to the retired employees covered under the Defined Contribution Scheme.

The Group maintains a mandatory provident fund scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The Group’s and employee’s contributions to the MPF Scheme are based on 5% of the employees’ relevant income (up to a cap of monthly relevant income of HK\$25,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of pension benefits associated with the two schemes beyond the annual contributions described above.

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
(b) Other items:		
Depreciation	50,802	24,914
Amortisation	227	227
Recognition/(reversal) of impairment losses on trade and other receivables (<i>note 10(b)</i>)	59	(919)
Research and development costs	11,662	26,895
Recognition/(reversal) of provision for warranties	1,685	(229)
Auditors’ remuneration	1,650	1,650
Operating lease charges in respect of properties	2,074	1,771
Cost of inventories*	<u>412,478</u>	<u>475,307</u>

* *Cost of inventories includes RMB61,171,000 (2012: RMB42,822,000) relating to staff costs, depreciation and amortisation expenses, amounts of which are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.*

7 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current tax — PRC Income Tax		
Provision for the year	13,528	51,048
Deferred tax		
Origination and reversal of temporary differences	<u>(217)</u>	<u>101</u>
	<u>13,311</u>	<u>51,149</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) No provision has been made for Hong Kong Profits Tax as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.
- (iii) Pursuant to the income tax rules and regulations of the PRC, a recognised Advanced and New Technology Enterprise (“ANTE”) that meets the conditions according to the *Notice on Issuance of the Administrative Measures governing the Recognition of Advanced and New Technology Enterprises* issued on 14 April 2008 is entitled to a reduced income tax rate of 15%. On 12 December 2008, Fujian Wide Plus Precision Instrument Co., Ltd. (“Fujian Wide Plus”) was recognised as an ANTE as approved by the relevant authorities.

From 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As Fujian Wide Plus is directly and wholly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax under the double tax arrangement between Hong Kong and the PRC. Deferred tax liabilities have been recognised for undistributed retained profits of Fujian Wide Plus earned since 1 January 2008 to the extent that the profits are likely to be distributed in the foreseeable future.

8 DIVIDENDS

Dividends payable to equity shareholders of the Company attributable to the year:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
No dividend proposed after the end of the reporting period (2012: HK2 cents per ordinary share)	<u>—</u>	<u>16,999</u>

The dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB36,277,000 (2012: RMB259,193,000) and the number of 1,037,500,000 ordinary shares (2012: 1,037,500,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB36,277,000 (2012: RMB259,193,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options assuming they were exercised during the year. For the years ended 30 June 2012 and 30 June 2013, the share options had no dilutive effect as the average market price of ordinary shares during the years did not exceed the exercise price of the options.

	2013 '000	2012 '000
Weighted average number of ordinary shares (basic)	1,037,500	1,037,500
Effect of deemed issue of shares under the Company's share option scheme	—	—
Weighted average number of ordinary shares (diluted)	<u>1,037,500</u>	<u>1,037,500</u>

10 TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	264,638	433,562
Less: allowance for doubtful debts (<i>note 10(b)</i>)	(352)	(293)
	<u>264,286</u>	<u>433,269</u>
Other prepayments, deposits and receivables	<u>1,503</u>	<u>4,767</u>
	<u>265,789</u>	<u>438,036</u>

All of the trade and other receivables are expected to be recovered or recognised as an expense within one year. The Group generally grants credit periods of 120 days to 180 days from the date of billing to its customers.

(a) Ageing analysis

An ageing analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting periods are as follows:

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired (current)	<u>264,286</u>	410,993
Less than 1 month past due	—	22,276
1 to 3 months past due	—	—
Amounts past due	—	22,276
	<u>264,286</u>	<u>433,269</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired as at 30 June 2012 relate to a wide range of customers that had a good track record with the Group. These balances were fully settled during the year ended 30 June 2013.

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 July 2012/2011	293	1,212
Write-back of impairment losses	(293)	(1,212)
Impairment loss recognised	352	293
	<hr/>	<hr/>
At 30 June 2013/2012	352	293
	<hr/> <hr/>	<hr/> <hr/>

The individually impaired receivables related to customers and other third parties that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered. Consequently, specific allowances for doubtful debts of RMB352,000 (2012: RMB293,000) were recognised. The Group does not hold any collateral over these balances.

11 TRADE AND OTHER PAYABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade payables	46,252	86,312
Other payables and accruals	42,792	45,178
	<u>89,044</u>	<u>131,490</u>

Included in trade and other payables are trade payables with the following ageing analysis at the end of the reporting period. The credit periods granted by various suppliers are generally 120 days.

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Due within 1 month or on demand	185	2,260
Due after 1 month but within 3 months	20,883	45,854
Due after 3 months but within 6 months	25,184	38,198
	<u>46,252</u>	<u>86,312</u>

All of the trade and other payables are expected to be settled within one year.

12 SHARE CAPITAL

There was no movements of the authorised share capital of the Company during the years ended 30 June 2012 and 2013:

	Par value <i>HK\$</i>	Number of shares <i>'000</i>	Nominal value of ordinary shares	
			<i>HK\$'000</i>	<i>RMB'000</i>
<i>Authorised:</i>				
At 1 July 2011, 30 June 2012 and 30 June 2013	<u>0.1</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>880,500</u>

There was no movement in the Company's issued share capital during the years ended 30 June 2012 and 2013:

	Par value <i>HK\$</i>	Number of shares <i>'000</i>	Nominal value of ordinary shares	
			<i>HK\$'000</i>	<i>RMB'000</i>
<i>Issued and fully paid:</i>				
At 1 July 2011, 30 June 2012 and 30 June 2013	<u>0.1</u>	<u>1,037,500</u>	<u>103,750</u>	<u>91,360</u>

Note:

- (i) As at 30 June 2013, the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13 EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to the shareholder's written resolution passed on 28 October 2009, the Company has adopted a share option scheme (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any directors and employees of the Group, to take up options to subscribe for the shares of the Company. The Scheme will remain in force for a period of 10 years from the effective date of such scheme and will expire on 13 November 2019.

Under the Scheme, the directors may at their discretion to grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. No share options were granted to the Company's directors and employees during the years ended 30 June 2013 and 30 June 2012.

(a) The terms and conditions of the grants are as follows:

Date of grant		Number of options granted	Vesting conditions	Contractual life of options
Options granted to directors:				
18 March 2011	Lot 1	4,920,000	0.5 month after the date of grant	5 years
18 March 2011	Lot 2	4,920,000	12.5 months after the date of grant	5 years
18 March 2011	Lot 3	6,560,000	24.5 months after the date of grant	5 years
Options granted to employees:				
18 March 2011	Lot 1	6,780,000	0.5 month after the date of grant	5 years
18 March 2011	Lot 2	6,780,000	12.5 months after the date of grant	5 years
18 March 2011	Lot 3	9,040,000	24.5 months after the date of grant	5 years
		<u>39,000,000</u>		

(b) The number and weighted average exercise price of share options are as follows:

	<i>Weighted average exercise price</i>	<i>Number of options '000</i>
Outstanding at 1 July 2011, 30 June 2012 and 30 June 2013	<u>HK\$5.6</u>	<u>39,000</u>

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black-Scholes-Merton Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes-Merton Option Pricing Model.

Fair value of share options and assumptions

	<u>2011</u>		
	<u>Lot 1</u>	<u>Lot 2</u>	<u>Lot 3</u>
Fair value at measurement date (HK\$)	1.73789	1.88545	2.01633
Share price (HK\$)	5.5	5.5	5.5
Exercise price (HK\$)	5.6	5.6	5.6
Expected volatility	53.67%	53.67%	53.67%
Expected option life	2.5 years	3 years	3.5 years
Expected dividends	0.95%	0.95%	0.95%
Risk-free rate	0.77%	0.95%	1.14%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

China experienced a notable slowdown in macro-economic growth in the year past, with an average rate of 7.625%* in year-on-year gross domestic product (“GDP”) growth reported for the past 4 quarters ended 30 June 2013, as compared to an average growth rate of 8.425%* for the same periods last year, which represented a slowdown in the pace of economic growth by 0.8%. In the industrial sectors, year-on-year declines have been recorded in a number of indices, such as the Purchasing Managers’ Index (PMI) of China, which fell by 0.6% to 50.3 for this financial year (Source: China Federation of Logistics & Purchasing), as compared to 50.9 (Source: China Federation of Logistics & Purchasing) for the same period last year, and China’s Value Added of Industry, for which an average growth of 9.36%* was reported for the year, decreased by 2.64% as compared to the growth of 12%* for the same period last year. These figures have indicated substantial uncertainties in the domestic economy over the past year.

For the year ended 30 June 2013, the monthly average of China’s Producer Price Index was –2.5%* as compared to the growth of 2.2%* for the same period last year, representing a difference of 4.8%. In the sector of industrial automation instruments, both imports and domestic products were subject to ongoing price corrections. The Company’s profit margin was under pressure as the prices of most of its products had been lowered.

During the past year, the Company reported reduced revenue from its two business segments, namely automation instrument and technology products; and horological instruments, mainly as a result of the decline in demand and prices, with the decrease in prices weighing more heavily than the decrease in demand. Meanwhile, high-end controllers have been the most affected segment. Correction in the controller business is expected to last for some time, as the infrastructure-related sectors (such as steel manufacturing), where most of such controller products are taken up, are still facing the problem of excess production capacity.

In the meantime, the domestic manufacturing industry continued to undergo structural transformation, as anticipated by the Company. Rising labour costs and difficulties for small and medium enterprises to secure financing continued to present problems to business operators, while cash turnover was a particularly prominent issue for domestic companies. In this connection, the Company has taken a range of risk management measures to mitigate the potential impact of the risks arising from bad debts. The Company will continue to adopt a conservative strategy in its business operations.

* *Source: National Bureau of Statistics of China*

SEGMENT INFORMATION

The Group has the following two business segments:

Automation instrument and technology products

During the Year, sales of high precision industrial automation instrument and technology products amounted to approximately RMB428,624,000 (2012: approximately RMB757,116,000), representing approximately 83.0% (2012: approximately 87.2%) of the Group’s total turnover. The Group continued to focus on production and expansion of high precision industrial automation instrument and technology products, and to manage its inventory levels and its distribution network. Reportable segment profit of this business segment was approximately RMB93,843,000 (2012: approximately RMB330,706,000), representing a decrease of about 71.6% as compared to that of 2012.

Horological instruments

Sales of horological instruments were approximately RMB87,925,000 (2012: approximately RMB110,959,000), which accounts for approximately 17.0% (2012: approximately 12.8%) of the Group's total turnover during the Year. This segment recorded reportable segment loss of approximately RMB6,932,000, as compared to a reportable segment profit of approximately RMB28,135,000 in 2012.

MANUFACTURING FACILITIES

The Group has large-scale production facilities and is expanding its production capacity to enhance its competitive strength.

As the utilization rate of the existing manufacturing facility (1st phase development) of the Group located at Lot No. 15, Kuaian Road, Mawei Science and Technology Park, Fuzhou (福州馬尾科技園區快安大道15號地) has reached its maximum since 2008, the Group is in the process of expanding and upgrading its production capacity in two phases (i.e. 2nd and 3rd phase developments). Both developments are located at Long Men Village, Kuaian Technology Park, Fuzhou Economic and Technological Development Zone (福州經濟技術開發區快安科技園龍門村) in the PRC, covering a total site area of approximately 47,665 square metres.

The 2nd phase development is solely for the expansion of the Group's production capacity of its existing products. The factory on site commenced production in 2010 and reached its full-scale production capacity in June 2011; accordingly, the Group's production capacity of its existing products has been doubled as scheduled.

The 3rd phase development is solely for actuators, one of the Group's new products. The construction was completed in 2012, and is expected to reach its full-scale production capacity in 2015. In light of the instability of the global market, the Directors will proceed with the future developments cautiously.

PROSPECTS

While our business segments of horological instruments and automation instrument and technology products have reported lacklustre results for the year as a result of the weak sentiments prevailing in various traditional manufacturing industries, the Company is making strong efforts to adjust its customer base and product mix to address the changes in the current business environment.

The Company has recently set up an oil and petrochemical department dedicated to the development of businesses with the oil, petrochemical and related industries, with a view to capitalising on opportunities in these sectors. Under the "12th Five-Year Plan" of the PRC Government, a number of integrated oil refinery and chemical plants are set to be constructed as part of the nation's effort to build a modernised petrochemical industry with enhanced overall standards. Fujian Province, for example, has plans to build, by 2015, an aggregate refining capacity of over 29 million tonnes per annum for the province's petrochemical industry that would deliver an industrial output value of over RMB400 billion, according to the Fujian Provincial Economic and Trade Commission. The Group is currently engaged in active marketing efforts to promote these products in relevant sectors.

The research and development on product upgrades underlines another direction in the Group's future development. The research and development of new models in pressure transmitters and transmitters with high levels of precision and reliability represents an important focus in the future operations of the Company. New models in pressure transmitters and transmitters will open up access to the oil and petrochemical industries and other high-end sectors for the Company's products and will enable the Company to establish leadership in the industry with stronger brand recognition.

Furthermore, the Company has successfully developed gauge valves (sets) and pipe connectors last year, and the marketing of these new products will be one of the Group's important tasks in the coming year. In view of the above, the Group's management remains optimistic about the Company's development prospects.

FINANCIAL REVIEW

Turnover

Turnover of the Group amounted to approximately RMB516,549,000 for the Year (2012: approximately RMB868,075,000), representing a decrease of about 40.5% as compared to that of last year. The decrease is mainly due to the adverse effect of the sluggish global economy which causes (i) decrease in demand of industrial automation instrument and technology products and (ii) decrease in unit selling price.

Gross profit and profit from operations

During the Year, the Group's gross profit and profit from operations amounted to approximately RMB104,071,000 (2012: approximately RMB392,768,000) and approximately RMB49,588,000 (2012: approximately RMB310,342,000) respectively. The decrease is in line with the decrease in turnover.

The segment gross profit margin of automation instrument and technology products segment decreased from 47.6% for 2012 to 25.4% for the Year. It was mainly due to the decrease in unit selling price.

The segment of horological instruments suffered a gross loss of approximately RMB4,767,000 for the Year while there was a gross profit of approximately RMB32,207,000 in 2012. It was because the average unit selling price decreased from RMB1.76 for 2012 to RMB1.29 for the Year. The Group adjusts its selling prices from time to time, if necessary, to maintain its market share in an intensely price competitive market.

Accordingly, during the Year, the Group's profit from operations decreased by 84.0% as compared to that of 2012.

Net profit

The profit attributable to equity shareholders of the Company for the Year was approximately RMB36,277,000, as compared to that of approximately RMB259,193,000 in 2012. It was mainly attributable to the factors as mentioned above.

Earnings per share

The basic and diluted earnings per share for the Year were RMB3.50 cents (2012: RMB24.98 cents) and RMB3.50 cents (2012: RMB24.98 cents) respectively.

Liquidity and Financial Resources

During the Year, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2013, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB1,371,402,000 (30 June 2012: approximately RMB1,212,738,000), approximately RMB1,609,559,000 (30 June 2012: approximately RMB1,586,895,000) and approximately RMB2,278,004,000 (30 June 2012: approximately RMB2,255,115,000) respectively.

Borrowings

As at 30 June 2013, the Group had no bank borrowings (30 June 2012: Nil).

Equity

Total equity attributable to equity shareholders of the Company as at 30 June 2013 increased by approximately RMB22,970,000 to approximately RMB2,260,018,000 (30 June 2012: approximately RMB2,237,048,000).

Gearing ratio

The gearing ratio (calculated as the ratio of total liabilities: total equity) of the Group as at 30 June 2013 was approximately 0.05 (30 June 2012: approximately 0.1).

USE OF PROCEEDS FROM THE PLACING AND THE PUBLIC OFFER

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") with a total of 287,500,000 offer shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the placing and the public offer of approximately HK\$1,043,000,000 (the "Net Proceeds") will mainly be utilized as follows:

1. Approximately HK\$711 million will be used for establishment of production facilities for new products of the Group;
2. Approximately HK\$129 million will be used for research and development efforts;
3. Approximately HK\$81 million will be used for network development and sales support services;
4. Approximately HK\$18 million will be used for the Group's information system development; and
5. Approximately HK\$104 million will be used for general working capital.

Up to 30 June 2013, the Group has utilized the Net Proceeds as follows:

1. Approximately HK\$552 million were used for establishment of production facilities for new products of the Group;
2. Approximately HK\$70 million were used for research and development efforts;
3. Approximately HK\$36 million were used for network development and sales support services; and

4. Approximately HK\$2 million were used for the Group's information system development.

The remaining balance of the Net Proceeds has been placed in the short-term deposits with financial institutions.

SHARE CAPITAL

Details of changes in the Company's share capital during the Year were set out in note 12 to the consolidated results of the Group as contained in this announcement.

SIGNIFICANT INVESTMENTS

The Group had no significant investment held during the Year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries or associated companies by the Group during the Year.

EMPLOYEES AND SHARE OPTION SCHEME

As at 30 June 2013, the Group employed a total of 1,067 employees (30 June 2012: 1,143). It is the Group's policy to review its employees' pay levels and performance bonus system regularly to ensure the competitiveness of the Group's remuneration policy within the relevant industry. During the Year, the employment cost (excluding Directors' emoluments) amounted to approximately RMB53,553,000 (2012: approximately RMB70,825,000).

In order to provide incentives to the staff, Directors and consultants of the Group, share options would be granted to staff, Directors and consultants under the Company's share option scheme (the "Scheme") adopted on 28 October 2009. As at 30 June 2013, 39,000,000 share options were outstanding under the Scheme. No option has been granted, exercised, cancelled or lapsed during the Year. Details of share options are set out in note 13 to the consolidated results of the Group as contained in this announcement.

CHARGE ON ASSETS

As at 30 June 2013, the Group did not have any charges on its assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Apart from the expansion of manufacturing facilities as described in page 18 of this announcement, the Group had no future plans for material investments as at 30 June 2013.

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies primarily in United States dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi Yuan against foreign currency which might

materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to currency risk during the Year and will continue to closely monitor such risk exposures from time to time.

CAPITAL COMMITMENT

As at 30 June 2013, the Group had capital expenditure contracted for but not provided in the financial statements and capital expenditure authorized but not contracted for capital commitments in the financial statements amounted to approximately RMB19,826,000 (30 June 2012: approximately RMB14,027,000) and approximately RMB117,651,000 (30 June 2012: approximately RMB85,788,000) respectively.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 30 June 2013 (2012: HKD0.020 per ordinary share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

The Company has complied with most of the code provisions stipulated in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Year, except for the deviation from the Code Provision A.2.1 of the Code as described below.

Code provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong Fun Chung is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code Provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors.

Having made specific enquiries of all Directors, all Directors confirmed to the Company that they have complied with the Model Code during the Year.

REMUNERATION COMMITTEE

The remuneration committee of the Company, currently comprising three independent non-executive Directors, namely Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor, is primarily responsible for, inter alia, making recommendations to the Board on the remuneration packages of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

NOMINATION COMMITTEE

The Group established a nomination committee (the “Nomination Committee”) since 2008 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee are, inter alia, to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for the Directors, and to review the board diversity policy of the Company as appropriate. The Nomination Committee comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor. Mr. Chan Yuk Hiu, Taylor is the Chairman of the Nomination Committee.

AUDIT COMMITTEE

The Group established its audit committee (the “Audit Committee”) since 2008 with written terms of reference in compliance with the Code. The primary duties of the Audit Committee are, inter alia, to assist the Board in providing an independent view of the effectiveness of the Group’s financial reporting system, internal control and risk management system, to review and monitor the audit process, to review the Company’s financial information, and to perform other duties and responsibilities as assigned by the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Dr. Hu Guo Qing, Ms. Ji Qin Zhi and Mr. Chan Yuk Hiu, Taylor (Chairman). The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2013.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The notice of the forthcoming annual general meeting of the Company (“AGM”) will be published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.chpag.net.

The register of members of the Company will be closed for the purpose of ascertaining the right of shareholders of the Company to attend and vote at the AGM from Monday, 18 November 2013 to Friday, 22 November 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 15 November 2013.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chpag.net.

The consolidated annual financial results of the Group for the year ended 30 June 2013 have been reviewed by the Audit Committee and are extracted from the consolidated annual financial statements for the year ended 30 June 2013 to be included in the 2013 Annual Report of the Company.

The 2013 Annual Report of the Company will be dispatched to the shareholders of the Company and published on the Company's website at www.chpag.net and the Stock Exchange's website at www.hkexnews.hk in due course.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:00 a.m. on 22 August 2012, and will remain suspended until further notice.

By order of the Board
China High Precision Automation Group Limited
Wong Fun Chung
Chairman

Hong Kong, 27 September 2013

As at the date of this announcement, the executive Directors are Mr. Wong Fun Chung, Mr. Zou Chong, Mr. Su Fang Zhong and Mr. Cheung Chuen, and the independent non-executive Directors are Ms. Ji Qin Zhi, Dr. Hu Guo Qing and Mr. Chan Yuk Hiu, Taylor.